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## **INTRODUCTION**

The Office of Internal Audit performed an audit of Forest/Ellery District, Wayne County FIA for the period October 1, 2003 through November 30, 2004. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Forest/Ellery District had 69 full time equated positions (FTE's) at the time of our review. Forest/Ellery District provided assistance to an average 11,911 recipients per month during FY 2003, with total assistance payments of \$19,920,197 during that year.

## **SCOPE**

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Forest/Ellery District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

|                               |                              |
|-------------------------------|------------------------------|
| Cash Receipts                 | State Emergency Relief       |
| Cash Disbursements            | Children Protective Services |
| Safe and Controlled Documents | Procurement Cards            |
| CMIS/ASSIST                   | Client Processing            |
| Payroll and Timekeeping       | Employment Support Services  |

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that the Forest/Ellery District's internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's

authorization. We found several instances of noncompliance with FIA policies and procedures and weaknesses in internal controls, which are detailed below.

### **DISTRICT OFFICE RESPONSE**

The management of Forest/Ellery District has reviewed all findings and recommendations included in this report. They indicated in an e-mail on February 15, 2005 that they are in general agreement with the findings and recommendations in this report and have taken corrective action for all items.

### **FINDINGS AND RECOMMENDATIONS**

#### **Cash Receipts**

##### **Open Items on FIA-61**

1. Forest/Ellery District did not always record disposition information on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. We found five open items on the FIA-61, where the checks/warrants were not on hand and the local office had not recorded the disposition. Recording the disposition on the FIA-61 provides documentation that returned checks/warrants were disposed of properly.

WE RECOMMEND that Forest/Ellery District record the disposition of all checks/warrants on the FIA-61.

#### **Safe and Controlled Documentss**

##### **Safe Combination**

2. Forest/Ellery District has not changed the safe combination for several years, even though they have had numerous employees with knowledge of the combination leave the district. Changing the safe combination when employees who know the

combination terminate employment at the district helps to reduce the risk of loss, theft, and misuse of the negotiable instruments, controlled documents and other items that are stored in the safe.

WE RECOMMEND that Forest/Ellery District change the safe combination when employees who know the combination terminate employment at the district.

### **CIMS/ASSIST Security**

#### **Payment Authorization Files**

3. The Forest/Ellery District did not maintain the files of Supplemental Payment Authorizations (FIA-13) in either alphabetical or case number order, as required by Accounting Manual Item 404. Rather, the district was filing the FIA-13's in a chronological order. Filing the FIA-13's in strict either alphabetical or case number order on annual basis makes them easily to retrieve, if necessary and allows for quicker determination of how many FIA-13's payments an individual has received.

WE RECOMMEND that the Forest/Ellery District file FIA-13's in either alphabetical or case number order on annual basis.

#### **Back Up Tapes**

4. The Forest/Ellery District FIA did not maintain backup tapes for its Novell and Windows server at an off-site location. The Primary Internal Control Criteria for Local/District Office Operations states that backup tapes for all systems are to be stored in an off-site secure location that protects them from loss, theft, fire, or water damage. Access should be limited to the person authorized to do backups and appropriate supervision.

WE RECOMMEND that the Forest/Ellery District maintain off site storage for system backup tapes.

### **Payroll and Timekeeping**

#### **Reconciliation of HR-332A Turnaround Report**

5. The Forest/Ellery District did not reconcile the turnaround HR-332A to the original HR-332A report a week after payroll was run. The Primary Internal Control Criteria for Local/District Office Operations recommends that the local office reconcile the turnaround report to verify that the actual time reported agrees with the time that was originally submitted.

WE RECOMMEND that the Forest/Ellery District reconcile the turnaround HR-332A report to the original HR-332A report.

#### **Supervisor's Approval of Time and Attendance Reports**

6. The Forest/Ellery District supervisors did not always approve the employee's Time and Attendance Reports (FIA-4299). For one month reviewed there was one FIA-4299 that was not approved by the supervisor. The Primary Internal Control Criteria for Local/District Office Operations recommends that the employee accurately complete a biweekly time sheet, FIA-4299, and that the supervisor approve the employee time and attendance reports, attesting to the accuracy of all reported time.

WE RECOMMEND that the Forest/ Ellery District have the supervisors approve the FIA-4299.

### Payroll Certification

7. Forest/Ellery District audited and released the time into DCDS prior to the HR-332A being printed and signed by the certifier. The Primary Internal Control Criteria for Local/District Office Operations recommends that the authorized certifier review and approve the HR-332A report, attesting to the accuracy of time that was reported. The timekeeper then changes the status in DCDS to Certified upon receipt of the signed HR-332A report.

WE RECOMMEND that the Forest/Ellery District have the certifier review and approve the payroll prior to releasing the time into DCDS.

### Independent File for the Certified HR-332A Report

8. The Forest/Ellery District timekeeper maintained the certified copy of the HR-332A report. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A report until the reconciliation of the turnaround report is completed, so that any change made by the timekeeper after the certifier's review would be detected.

WE RECOMMEND that the Forest/Ellery District have someone other than the timekeeper maintain the timesheets and HR-332A report until the payroll is reconciled a week after the payroll is prepared.

### Certification of the HR-332A Report

9. The Forest/Ellery District certifier did not always approve the employees' Time Entry Summary Reports (HR-332A). The Forest/Ellery District has multiple Time Keeping Units (TKU's) for recording its employees' time. For the month reviewed there were four TKU's on the HR-332A report that were not approved by the

certifier. The Primary Internal Control Criteria for Local/District Office Operations recommends the certifier review and approve the HR-332A attesting to the accuracy of information by signing as the certifier.

WE RECOMMEND that the Forest/Elery District certifier sign the HR-332A for all TKU's as required by the internal control criteria.